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Pichler, Melanie

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## **Agrofuels in Indonesia: Structures, Conflicts, Consequences, and the Role of the EU**

MELANIE PICHLER<sup>1</sup>

University of Vienna, Austria

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*This paper deals with agrofuel policies within the European Union (EU) and the consequences of these policies in Indonesia. That South-East-Asian country is the world leader in the production and exportation of palm oil, which is one of the cheapest feedstocks for the production of biodiesel. Recently, production has expanded significantly due to the incentives of the international energy market. This paper analyses the interests and strategies of the key players in the palm oil and agrofuels business in Indonesia, looks at the model of development they (re-)produce, and analyses their reactions to the problem of sustainability in relation to deforestation, land conflicts, and biodiversity loss through the expansion of monocultures and industrial agriculture.*

**Keywords:** Agrofuels, Palm oil, Land Conflicts, EU, Indonesia

*Dieser Artikel beschäftigt sich mit der Agrartreibstoffpolitik der Europäischen Union (EU) und den Auswirkungen dieser Politik auf Indonesien. Das südostasiatische Land ist weltweit führender Produzent und Exporteur von Palmöl, dem derzeit billigsten Rohstoff für die Produktion von Biodiesel, und dieser Sektor expandiert aufgrund der politischen und ökonomischen Anreize ungehindert weiter. Der Artikel analysiert die Interessen und Strategien der zentralen Stakeholder in der indonesischen Palmöl- und Agrartreibstoffindustrie, beleuchtet das dahinterstehende Entwicklungsmodell und analysiert die Reaktionen zur Nachhaltigkeitsproblematik in Bezug auf die Abholzung von Regenwald, Landkonflikte und Verlust von Biodiversität durch die Expansion von Monokulturen und industrieller Landwirtschaft.*

**Schlagworte:** Agrartreibstoffe, Palmöl, Landkonflikte, EU, Indonesien

1 Melanie Pichler studied political science and international development at the University of Vienna. This article is based on her diploma thesis "Neue Allianzen in der Umwelt- und Energiepolitik: Die Politik der EU in Bezug auf Agrartreibstoffe und ihre Auswirkungen in Indonesien" at the Department of Political Sciences. In the winter of 2008/09 she went on a research trip to Indonesia, where she conducted interviews with key stakeholders in the palm oil production process. Currently she is doing her PhD on agrofuels production in South-East Asia at the Department of Political Sciences at the University of Vienna. Contact: mel\_pichler@hotmail.com



### ***Agrofuels: A Solution or Part of the Problem?***

As part of an “energy revolution” (International Energy Agency, 2008, p. 3) and the “global green new deal” (United Nations Environment Programme, 2009), agrofuels have been promoted as a solution to the multiple global crises of rising energy prices, climate change, and economic downturn. Internationally, economic powers such as the European Union (EU), the USA, Brazil, China, and India are determined to expand and develop the use of agrofuels. Mandatory blending of fossil fuels with biodiesel or ethanol fuel has created strong demand for agrofuels, resulting in the emergence of a global market.

The EU mandatory 10 percent target for agrofuels by 2020 plays a key role in the global promotion of agrofuel production. As this volume of agrofuel is so large that the full amount cannot be produced inside the European Union, the export of feedstock as well as of processed agrofuels was seen as a perfect chance for further economic development of countries in the ‘Global South’ (European Commission, 2005, p. 41).

Whereas Brazil is the leading exporter of ethanol fuel (mainly produced from sugarcane), Indonesia and Malaysia are important biodiesel producers (OECD, 2008, p. 16) and leading exporting countries of palm oil,<sup>2</sup> which is currently the cheapest feedstock for biodiesel production. Palm oil production has expanded significantly over the last few years due to incentives and high demand from the international market.

Whereas governments of South-East Asian countries see great opportunities for economic income from palm oil exports, the global boom has dramatic social and ecological consequences. Huge areas of tropical rainforests are cut or burned down and people are forced to leave their traditional lands.

The intention of this paper is to outline the expansion of palm oil production in Indonesia and the connection of these developments to the European regulations on agrofuels. The analysis examines the different actors and their interests and strategies in Indonesian palm oil production and deals with the discussion of sustainability and certification within the framework of the Roundtable on Sustainable Palm Oil (RSPO).

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<sup>2</sup> Together, Malaysia and Indonesia account for 85 percent of global palm oil production (Wuppertal Institut, 2007, p. 5).

## ***European Regulations on Agrofuels***

The EU has promoted the idea of non-fossil energy sources systematically since 2003, when it signed the first biofuels directive. The directive included a target of 5.75 percent agrofuels on member states' markets by 2010 (European Union, 2003, art. 3). Although human rights and environmental organisations raised concerns over the directive, a follow-up directive with a mandatory target for the transport sector was issued in 2008. This compulsory document requires 10 percent of the energy used in transport sector to come from renewable energy sources (EU, 2009, art. 3). So-called second-generation biofuels, produced from waste, non-food cellulosic material, and ligno-cellulosic material count double towards the target (EU, 2009, art. 21). Nevertheless, these technologies are less competitive for now and the target will be mainly based on first generation agrofuels made from palm oil, rapeseed, soybean, sugarcane etc. (Eickhout et al., 2008). Furthermore, the EU included sustainability criteria in the directive. Greenhouse gas emission savings from the use of agrofuels shall be at least 35 percent (EU, 2009, art. 17([2]) and agrofuels shall not be planted on land with high biodiversity value, namely primary forests, nature conservation areas, highly biodiverse grasslands, wetlands etc. (EU, 2009, art. 17[3,4]). However, the directive lacks clear provisions on how to calculate these savings. Most importantly, so-called indirect land-use changes (ILUC) will not be included in the calculation of sustainability (European Federation for Transport and Environment [T&E], 2009, p. 13). Indirect land-use changes occur when agrofuel plantations displace agricultural production for food, feed, fibre etc. to other areas and thereby cause deforestation. These replacements can cause a major increase in greenhouse gas emissions and “outweigh any savings from using biofuels as an alternative transport fuel” (T&E, 2009, p. 13).

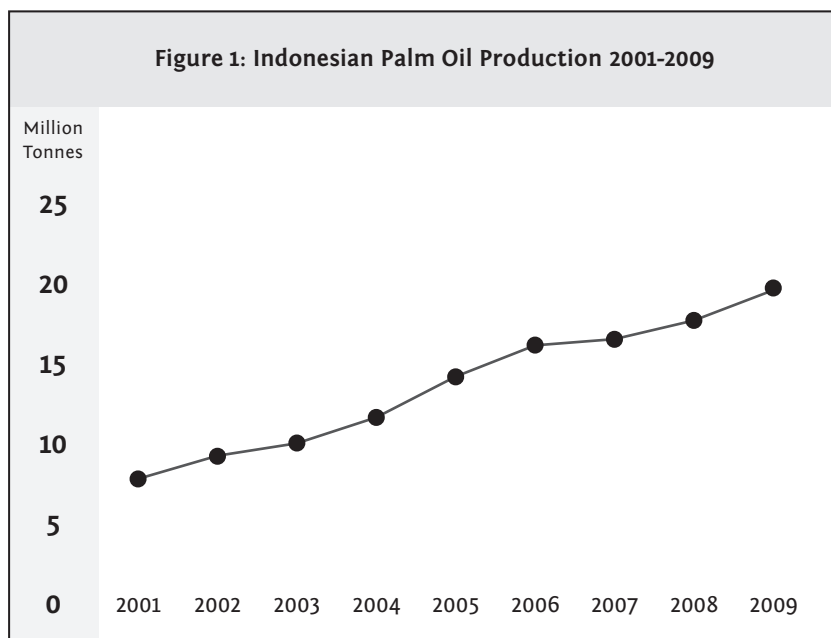
Sustainability implies both environmental (greenhouse gas emission savings, direct and indirect land-use changes etc.) and social criteria (human rights, food security, land rights, indigenous rights etc.). However, besides the abovementioned weak environmental criteria, no social standards for agrofuels are mentioned within the mandatory sustainability criteria. Instead, the Commission is asked to report every two years to the European Parliament and the Council on the impact of agrofuels on social sustainability in the EU and third countries, including the status of ratification

and implementation of selected ILO conventions without further binding social standards (EU, 2009, art. 17[7]).

For countries like Indonesia it is likely that weak and insufficient sustainability criteria in EU agrofuel policies cannot lead to a major change in Indonesian palm oil production, which is socially inequitable and often environmentally destructive.

### ***Palm Oil and Agrofuel Production in Indonesia: An Export-oriented Model***

Indonesia is the world's largest producer and exporter of palm oil. In 2008, the South-East Asian country produced 18 million tonnes of crude palm oil (CPO), of which 14 million tonnes were exported. The demand in the international market has boosted the expansion plans of the Indonesian government. By 2020 Indonesia intends to produce 30 million tonnes of CPO (Secretary-General of APROBI [Indonesian Biofuels Producer Association], personal communication, 5 January 2009). Production doubled between 2001 and 2007 from 8.4 million tonnes to 16.9 million tonnes (Indonesian Palm Oil Board [IPOB], 2008, p. 1), which may be an indicator of the connection between agrofuels promotion and palm oil expansion.



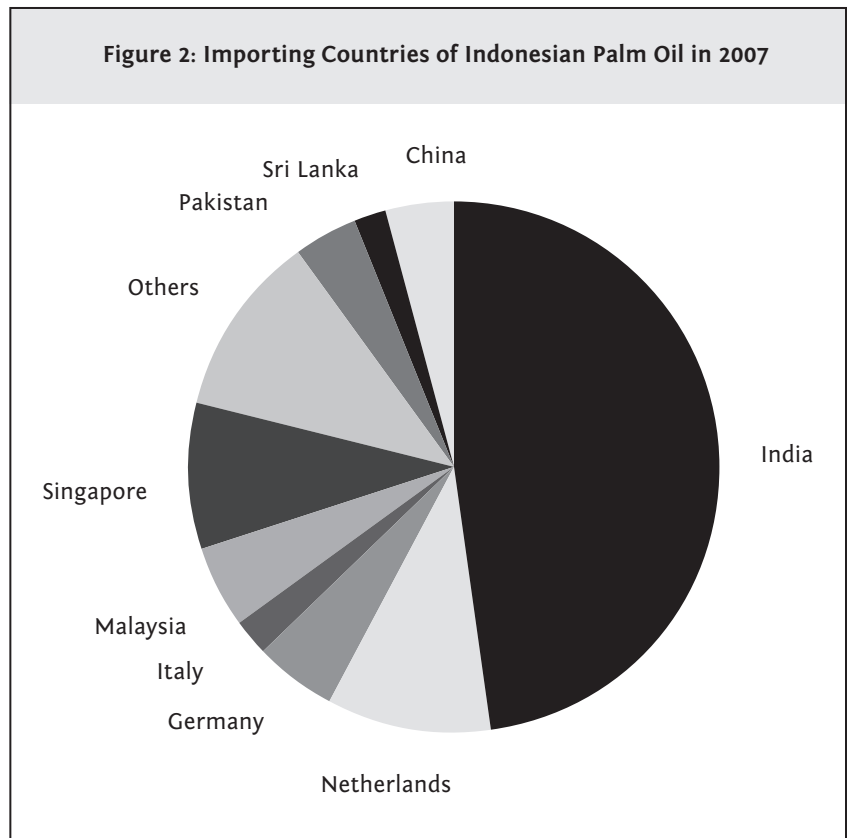
Source: Own Compilation (from IPOB, 2008, p.3; Indonesian State Official, Ministry of Energy and Mineral Resources, personal communication, 7 January 2009)

The currently largest plantation areas are located on the islands of Sumatra and Kalimantan (IPOB, 2008, p. 8), while the expansion is concentrated on Kalimantan, Sulawesi, and Papua. Some of these new plantations are exclusively for the processing of agrofuels. In 2005, the government supported a plan to develop 1.8 million

hectares of oil palm plantations for agrofuels in Kalimantan on the border with Malaysia.<sup>3</sup> In the autonomous province of Papua, where most of Indonesia's ethnic minority groups live, the Indonesian state wants to convert 1.5 million hectares of tropical rain forest into a huge palm oil plantation (non-governmental organisation [NGO] representative, personal communication, 31 December 2008).

The biggest concentration of palm oil plantations can be seen in the province of Riau on the island of Sumatra, where officially 1.4 million hectares of agricultural land and former rain forest is planted with oil palms (IPOB, 2008). According to SPKS, a union of independent oil-palm-growing peasant farmers, the area used for palm oil production is actually 2 million hectares (Secretary-General of SPKS, personal communication, 27 January 2009).

Palm oil production in Indonesia is based on an export-oriented model (Kok & Hilderink, 2007): approximately 78 percent of the palm oil produced is exported (Secretary-General of APROBI, personal communication, 5 January 2009). The most important export partner is India, which buys nearly half of Indonesia's exported CPO. The European Union is the second biggest importer: the Netherlands, Germany, and Italy are



Source: IPOB, 2008, p.33

<sup>3</sup> The ambitious plan to develop 1.8 million hectares of oil palm plantations (1 million for the local agrofuel industry and the rest for export) along the border with Malaysia competed against a conservation project, covering big parts of East and West Kalimantan (Indonesia), Sabah and Sarawak (Malaysia), and Brunei. The 'Heart of Borneo' project, initiated by the WWF and other environmental NGOs, built a strong opposition against the palm oil project. Accordingly, in 2006 the Minister of Agriculture admitted that only 180,000 hectares of land were suitable for oil palm plantations in the border region (Potter, 2009). However, "the Minister added that the government would look for other available land outside the Heart of Borneo conservation area" (Potter, 2009, p. 101).

the major buyers. Important regional partners are Malaysia and Singapore (IPOB, 2008).

In line with the global trend, Indonesia has recently pushed through national laws on the mandatory blending of fossil fuels with agrofuels. Since January 2009 all petrol and diesel for transport purposes has had to contain at least one percent agrofuel. By 2025 this will be raised to 25 percent. Although Indonesia wants to diversify its potential sources for agrofuels, palm oil is currently the only feedstock for cost-efficient agrofuel production (Indonesian State Official, Ministry of Energy and Mineral Resources, personal communication, 7 January 2009).

### ***The Political Economy of the Indonesian Palm Oil Industry: Different Actors, Different Interests***

This paper focuses on an actor-oriented approach towards analysing the structure of the Indonesian palm oil industry and to emphasise “the role and interaction of actors in environmental conflict” (Bryant & Bailey, 1997, p. 25). Therefore, I will refer to the state, business, international financial institutions, NGOs, and grassroots actors as major stakeholders. In the following, I highlight some results of the empirical research in Indonesia in outlining the interests and strategies of the actors involved as well as conflicts, coalitions, and consequences in the field.

#### ***The State***

The Indonesian state vigorously promotes the production of palm oil and agrofuels. Officially, poverty alleviation, the creation of jobs, sustainable economic activities, and the reduction of domestic fuel consumption are the main objectives (Indonesian Delegation, 2008). Experts and representatives from NGOs, however, doubt that the current development of an export-oriented model can help attain these goals. A member of WALHI, a network of the NGO Friends of the Earth Indonesia, confirmed that

*the increasing production of CPO in Indonesia is for export purposes and to fulfil biofuel production goals in other countries. Indonesia uses less than 30 percent of the produced CPO, the additional amount is*

*exported (NGO representative, personal communication, 30 December 2008).*

Furthermore, the need for a reduction of fossil fuels in its transport system is a new phenomenon for Indonesia. The only South-East Asian member of the Organisation of the Petroleum Exporting Countries (OPEC) quit the organisation in 2008, as it had become a net oil importer in recent years due to a considerable increase in population and low investment in the exploration for and extraction of oil ("Indonesia pulling out," 2008).

Nevertheless, not everybody in Indonesia supports the palm oil boom. Most notably, indigenous peoples and rural communities often oppose the development of monoculture plantations for the export business. The criminalisation of such communities and groups is a widespread strategy in dealing with resistance. A spokesman of the farmers union SPKS confirms that many communities are criminalised by the government and are accused of being anti-development (Secretary-General of SPKS, personal communication, 27 January 2009).

### **Business**

Various companies are involved in the field of palm oil and agrofuel production. Producers, plantation owners and refinery companies aside, trading companies, banks and other financial institutions play an important role (employee of TA Future Sdn Bhd [Malaysian company dealing in palm oil and biofuel futures], personal communication, 22 January 2009). The Indonesian palm oil business is highly centralised and only a few corporations control the whole industry. The most important companies are Sinar Mas, Salim/Indofood, Bakrie Plantations, Raja Garuda Mas, Wilmar Group, Astra Agro Lestari, IOI Corporation as well as the state-owned palm oil company PTPN (Ekonid, 2007, p. 41; NGO representative, personal communication, 27 January 2009). European or US investment plays a marginal role in the production of palm oil, which is mainly financed with Indonesian, Malaysian, Singaporean, and Chinese investment (Ekonid, 2007, pp. 62-63; Pye, 2008, p. 433). The biggest investors in Indonesia are Malaysian companies, which own more than 40 percent of the plantations (Norman Jiwan, personal communication, 25 February 2009).

Different strategies strengthen the current structure of an oligopolistic market:



As the maximal plantation area for one company is limited by law to 100,000 hectares (Directorate General of Plantation, 2007, p. 12) many companies create sub-companies to bypass this regulation. Indonesia's largest palm oil company Sinar Mas is an example:

*As Indonesian law does not allow any one company to hold in excess of 200,000 hectares in Papua<sup>4</sup>, Sinar Mas has split large forest blocks into several concession areas. For example, it has created 14 separate companies in a bid to gain control over 1.8 million hectares in the forested southeast corner of Papua (Greenpeace, 2007, p. 40).*

This expansion through division is accompanied by horizontal integration. Many palm oil companies branch out to gain further access to related industries or beneficial services. Again, Sinar Mas is an example: As observable from its website (<http://www.sinarmasgroup.com/app.html>), the corporation is engaged in pulp and paper production, has set up banks and insurance companies, and invests in real estate.

Another important issue is the various strategies with which companies try to take over land from communities and village leaders. Representatives from the palm oil companies normally try to convince the key person in the village, mainly through donations and the prospect of great economic benefits for that individual and the people of the village (Indonesian social scientist Lian Gogali, personal communication, 23 December 2008). Plantation companies together with influential villagers often play an important role in the parcelling up and selling off of common lands. McCarthy describes this process in a village in Jambi, Sumatra:

*Influential villagers had gone out into the common village lands (hutan lepas) and staked out parcels of land which were then sold at large fees to the oil palm companies ... The plantation solicited the process, indicating to villager brokers the areas where ... it wished to expand into and plant. The village head facilitated the process by issuing a letter, for a fee, recognising individual title over sections of communal land. This letter then became a basis for legitimate sale to an outside buyer – the plantation company (McCarthy, 2010, pp. 842-843).*

If donations fail, intimidation or even forced eviction is a common way of displacing people from their traditional land in order to plant oil palms. In many cases the military is directly involved in the displacements (Lian Gogali, personal communication, 23 December 2008; Marti, 2008, p. 108).

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<sup>4</sup> In the autonomous province of Papua the maximal plantation area is extended to 200,000 hectares compared to 100,000 hectares on the other islands (Directorate General of Plantation, 2007, p. 12 & 34).

Moreover, a common strategy to convince the communities of the benefits of the monoculture production of oil palms within a plantation system is the prospect of good infrastructure for the production and sale of fresh fruit bunches (FFB, fruit of the oil palms). Many independent palm oil farmers have problems selling FFB in time due to poor transportation systems and refineries being far away.<sup>5</sup> In addition, they cannot afford their own vehicles for the transport of the FFB to the mills (Colchester & Jiwan, 2006, p. 2 & 9). Good infrastructure, especially in remote areas, is often a good argument for communities to sell their land and work for a plantation company.

Another problem in which companies as well as local authorities are highly involved is deforestation in respect of palm oil production. According to a study by Greenpeace, cited in Marti (2008), Indonesia has the highest annual rate of deforestation worldwide. Between 2000 and 2005, 1.8 million hectares of rainforest were destroyed each year, with palm oil expansion being a major contributor to this figure (Marti, 2008, pp. 19-21). A large amount of Indonesian rainforest is peat swamp forest that holds enormous amounts of carbon. However, in recent years the slash-and-burn practices to clear the land for plantations has released “hundreds of millions of tonnes of carbon dioxide, making Indonesia the third highest contributor of CO<sub>2</sub> emissions in the world” (Marti, 2008, p. 7).

Meanwhile, many surveys have confirmed the involvement of palm oil companies in illegal deforestation, logging, and clearance of peatlands. For example, a recent audit of Indonesian palm oil giant PT SMART Tbk, part of the Singapore-listed company Golden Agri-Resources (GAR) and certified member of the RSPO, affirms oil palm plantations on carbon-rich deep peatlands (Creagh & Wulandari, 2010, p. 2). Similarly, Sinar Mas is accused of destroying peatlands and rain forests for the plantation of oil palms (Greenpeace International, 2010). Another survey reveals the proven involvement of three oil palm plantation companies in illegal logging in West Kalimantan. The relevant companies are related to the Singapore-listed corporation Wilmar which is one of the biggest agribusiness players in Asia (Khaimur, Theile, & Zakaria, 2007). The research findings indicate that “illegal logging and removal of forest produce (timber, rattan) is taking place without the legally required Forest Product Removal Permits” (Khaimur et al., 2007, p. 54). Furthermore, the oil palm

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<sup>5</sup> Good transportation systems and marketing channels are essential to an integration of smallholders in the palm oil production as FFB have to be processed within 24 to 48 hours after harvesting (McCarthy, 2010, p. 826).

plantation companies clear forests without having conducted High Conservation Value Forest (HCVF) assessments.

### ***International Financial Institutions***

Like big palm oil companies, international financial institutions play an important role in the palm oil business. The International Monetary Fund (IMF) and the World Bank Group are important actors in this context. The main interest of these financial institutions is the promotion of free trade and private investment: in short, market-based instruments for the economic development of Indonesia.

The IMF's influence increased during the Asian Financial Crisis in 1997. An important condition for the credits of the IMF was trade liberalisation (IMF, 1997). This policy can be seen today in the palm oil and agrofuels production, as the industry is focused mainly on the export and trade of products on the international markets. The current promotion of a free trade zone in the autonomous province of Papua exclusively for the production of agrofuels is another indicator of these developments (NGO representative, personal communication, 31 December 2008).

While the International Finance Corporation (IFC), as a member of the World Bank Group, is very active in the promotion of private investment in the palm oil and agrofuels sector, the World Bank as such acts mainly as a "global environmental manager" (Bryant & Bailey, 1997, p. 97). The director of APROBI, Paulus Tjakrawan (personal communication, 5 January 2009), confirmed that the World Bank is mainly involved in the Clean Development Mechanism (CDM) and acts as a consultant for companies on carbon trading.

### ***Non-Governmental Organisations***

NGOs are important actors in palm oil and agrofuel production as they inform the population about the risks of a monoculture and export-oriented agricultural model, try to influence the legislative process, and monitor executive power (Norman Jiwan, personal communication, 25 February 2009).

The NGOs involved differ widely in size, structure, ideology, and legal status, and consist of big international NGOs such as Greenpeace, Friends of the Earth, or WWF

as well as small local and regional networks. The main interest of NGOs in Indonesia is to put the socio-ecological problems and conflicts regarding palm oil production on the agenda of everyday politics through campaigning, lobbying, and raising awareness. The focus of engagement ranges from supporting minority cultures and demanding nature conservation to broader calls for climate justice “which links the double environmental crisis of climate change and biodiversity loss to the dominant development model of the North, and its repetition in the South” (Pye, 2009, p. 97).

The foundation of SPKS, a union for palm oil producing independent farmers, is one step towards addressing the problems of peasants in the centralised palm oil industry. An Indonesian NGO network with a focus on palm oil, Sawit Watch, established the smallholder union in 2006, after several years of informal efforts to inform and organise independent palm oil farmers in Sumatra and Kalimantan. Through seminars with the communities, SPKS wants to strengthen the position of smallholders during negotiations with companies over land or commodity prices. Furthermore, conflict management and resolution as well as providing information on the production of oil palms are major objectives. Members of SPKS consist mainly of independent palm oil farmers (*swadaya*) who are exclusively responsible for the whole production process. However, the union explicitly addresses contract farmers (*plasma*)<sup>6</sup> because they face the same problems as independent smallholders, especially in negotiations with companies and the enforcement of their rights (Secretary-General of SPKS, personal communication, 27 January 2009).

### **Grassroots Actors**

*Grassroots actors, a category which variously includes shifting cultivators, small-scale farmers, nomadic pastoralists, hunter-gatherers, poor urban dwellers or fishers ... have more often than not been at the losing end of environmental struggles with their lot in a politicised environment one largely characterised by marginality and vulnerability (Bryant & Bailey, 1997, p. 158).*

In Indonesia, many of these grassroots actors are still very forest-dependent, which means that they gain a “substantial proportion of monetary and non-monetary

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6 Many of the palm oil plantations in Indonesia are organised in a nucleus/plasma structure, whereby state or private plantation companies convert local land into palm oil plantations (nucleus), with the provision of smallholder plots (plasma) (McCarty, 2010, p. 828-829). The company acts as the plantation “core”, providing infrastructure and setting up the plantation. The smallholders are contractually bound to pay back the investments in the planting process with interest and within a given time period (Peters, 2000, p. 38).

income” (Marti, 2008, p. 55) from forest goods such as timber, firewood, traditional medicine etc. In many cases these resources are organised as “common pool resources” (Marti, 2008, pp. 56-58). No single person has individual rights to these common resources and access is regulated collectively. Likewise, land in general is often cultivated under customary rights, lacking state registered land certification (McCarthy, 2010, p. 829). The expansion of palm oil plantations highly endangers these collective strategies of agricultural cultivation. Many indigenous people and small-scale farmers lack formal land rights and are therefore easily displaced from their traditional lands. This problem with land rights and marginalisation is highlighted in a survey on palm oil expansion on the island of Sumatra: “The lack of secure and enforceable rights over both private and village common land weakened the landowners’ bargaining position and left them vulnerable to elite manipulation during the process where ‘informal’ and ‘fuzzy’ rights were translated into formal legal entitlements” (McCarthy, 2010, p. 838). Especially, vulnerable landowners and marginalised grassroots actors are exposed to the risk of poverty and exclusion in the palm oil business. As du Toit (2007, p. 2) states, “poverty and disadvantage themselves can often flow not from exclusion, but from inclusion on disadvantageous terms, into a system that in itself is exploitative”.

Furthermore, diversification of income is a common feature in rural areas of Indonesia and helps to spread risk in times of commodity price fluctuation and climate change. The current palm oil expansion is based on a monoculture and a large-scale mode of production, which endangers the possibility of traditional income diversification and sustainable livelihood creation (Marti, 2008, pp. 60-61).

Although these problems are documented, many communities are in favour of developing palm oil plantations on their territories. They expect higher income and new job opportunities as well as investments in public infrastructure (NGO representative, personal communication, 30 December 2008; Pye, 2009, p. 92). In fact the advantages and disadvantages respectively of palm oil expansion for grassroots actors and especially smallholders are variable, depending on a number of economic, social, and political relations as well as power constellations that vary over time and space (McCarthy, 2010, p. 824). Accordingly, state intervention and withdrawal on different scales have been crucial, further contributing to the marginalisation of vulnerable landowners in recent years. In the neoliberal transformation after the

fall of Suharto, the state has withdrawn from direct interventions and inputs into palm oil plantations, further excluding independent small-scale farmers (Indonesian Liaison Officer of RSPO, personal communication, 12 January 2009). In this context, the commodity-specific characteristics of palm oil are important as the plantation crop requires large investments in quality seedlings, fertiliser, and transportation infrastructure (Colchester & Jiwan, 2006; McCarthy, 2010).

*The large capital investment required, combined with the physical nature of oil palm, such as its requirement for significant labour inputs only at intermittent stages in the planting, weeding and harvesting cycle, make it ideal for an absentee landlord-wage labour mode of production (McCarthy, 2010, p. 845).*

### **Conflicts and Coalitions**

Having outlined interests and strategies of different actors in palm oil and agrofuel production, I briefly highlight conflicts and coalitions arising from this structure.

At the centre of coalitions in the Indonesian palm oil and agrofuel industry is “a collaboration between Indonesian government, military and investors” (Lian Gogali, personal communication, 23 December 2008). This coalition is most important in areas rich in natural resources. Local governments benefit financially from this coalition, which can be seen as a reason to invest in short-term economic profit rather than in long-term benefits for the population. The Indonesian state facilitates the centralisation and expansion of the palm oil business through pro-palm oil industry legislation (local NGO representative in Riau [Sumatra], personal communication, 27 January 2009). In short the state acts as kind of a marketing centre for the Indonesian palm oil industry (Pye, 2008, p. 438).

An ambivalent image can be seen in respect of the relations between companies and communities. Communities that have not previously been involved in monoculture cultivation or wage dependence are likely to agree with the terms and conditions of the companies for selling their land and starting work as employees. In contrast, communities that have already experienced the process of palm oil production often oppose further expansion plans. One reason for these developments is the inadequate information for farmers about the real impacts of the agreements.

*Companies ... frequently fail to explain to communities that the land they relinquish will not return to them at the end of the HGU [land use permit], but will instead return to the State ... The community leaders are being duped into signing agreements which they think entail temporary transfers of use rights, when the government or company representatives know that they are actually agreeing to the extinguishment of their rights in land (Marti, 2008, pp. 33-34).*

Furthermore, payments are often minimal in relation to the value of the land as communities lack information on adequate prices and do not have any experience in negotiation processes. "As a result, communities are often under the impression that the land is only being borrowed and that they are being compensated for not being able to carry out productive activities on this land during the plantation cycle" (Marti, 2008, p. 68). Only years later they realise that they have lost their lands forever and are dependent on crude palm oil and its highly volatile price on the world market.

Accordingly, in 2009 the Indonesian NGO network Sawit Watch (Palm Oil Watch) recorded 576 ongoing land conflicts all over Indonesia (Sawit Watch representative, personal communication, 25 February 2009). In many cases, land conflicts and the clearance of land for palm oil plantations go hand in hand with violence and the displacement of people from their traditional lands. A representative from WALHI (Friends of the Earth Indonesia) confirms that violence on the plantations and during negotiations as well as land conflicts are major issues they have to deal with (NGO representative, personal communication, 30 December 2008).

Another ambivalent relationship can be outlined between the NGOs on one side, and the companies as well as the state on the other. NGOs have to find a balance between their role as a spokesperson for civil society and the necessity of collaborating with companies and the state to reach compromises. The potential danger of an appropriation of NGOs for business interests is widespread, as can be seen for example with the role of the World Wildlife Fund (WWF) within the RSPO. Many other NGOs accuse the WWF of legitimising the role of the RSPO as a plausible instrument to ensure sustainability whereas the real problems of the affected people in the 'Global South' continue (International Declaration, 2008). For a better understanding of this criticism, a brief outline of the structure and role of the RSPO follows.

### ***The Roundtable on Sustainable Palm Oil: Sustainability for Profit***

The RSPO was created in 2002 following increased pressure on European food companies and supermarkets using palm oil in their products. Especially, big international conservation and environmental NGOs were successful with transnational consumer awareness campaigns. The main initiators of the RSPO were the European company Unilever and the environmental NGO WWF in co-operation with the Malaysian palm oil industry (Pye, 2008, pp. 447-450; RSPO, 2004). The most important objective of the organisation is the promotion of palm oil as a clean and sustainable solution for agrofuels, food, and cosmetics. Working groups have formulated principles and criteria for the production of palm oil, however, they function mainly as guidelines for companies as the RSPO is a voluntarily association and membership does not really force a company to act in a sustainable way (Indonesian Liaison Officer of RSPO, personal communication, 12 January 2009). The principles and criteria try to create a win-win situation for all the various stakeholders (producers, trading companies, banks, NGOs, supermarkets, the food industry, energy companies etc.), in line with its motto “People, Planet, and Profit” (Indonesian Liaison Officer of RSPO, personal communication, 12 January 2009).

Although RSPO is a big marketing centre for South-East Asian palm oil and may be essential for the future export of palm oil to Europe, the roundtable cannot solve the ecological and social problems of the monoculture palm oil industry. Addressing this issue, Torry Kusqardono from Friends of the Earth Indonesia states that “certifying palm oil as responsible or sustainable makes consumers feel good and encourages increased consumption, which is precisely the root cause of the problem” (WALHI, 2009). Accordingly, the irrational and excessive use of vegetable oil for food and agrofuels is the main problem causing plantation expansion and deforestation at its current high level. Voluntary market-based mechanisms without permanent monitoring and sanctions for violations of principles and criteria can never replace strict legislation and political will for a new system of palm oil production based on local demand and the needs of the local population (WALHI, 2009).

The voluntary nature and lack of implementation of RSPO principles and criteria as well as the uncritical position of the industry-led initiative towards the large-scale monoculture production of palm oil has recently undermined the legitimacy of the



RSPO (Greenpeace Netherlands, 2008; Pye, 2009, p. 94; WALHI, 2009). Many important NGOs and networks in Indonesia such as Greenpeace, WALHI (Friends of the Earth Indonesia), La Via Campesina, and other local and regional civil society organisations doubt the credibility of the RSPO or reject its basic objectives and are engaging in new transnational campaigns that focus on the integrated framing of environmental, social, and human rights concerns related to palm oil expansion (Pye, 2009, pp. 94-96).

### ***Conclusion***

In conclusion, the analysis of palm oil and agrofuel production in Indonesia shows that existing inequalities between different groups have been strengthened while marginalised and vulnerable groups such as indigenous people or rural communities have been further weakened.

The companies as well as the Indonesian state strongly promote the expansion of monoculture and large-scale palm oil production, whereas traditional forms of cultivation, subsistence agriculture, and independent small-scale farming are not supported. These developments have led to social tensions and are manifested in hundreds of land conflicts between communities on one hand and companies and the state on the other. Palm oil corporations are quite creative in their strategies to expand plantation holdings and gain access to local lands. Conflicts arise mainly over land, including conflicts over land tenure, as well as uneven bargaining power between palm oil companies, state authorities, and villagers.

The regulations on agrofuels within the EU may have a connection to the expansion of palm oil production in Indonesia as production has been boosted to an enormous extent since the beginning of this century. The Indonesian industry is highly geared towards the export of CPO as a feedstock for foods, cosmetics, and agrofuels but is not able to develop an integrated feedstock production and processing industry model. Due to this situation, the country is highly dependent on volatile vegetable oil prices on the international market and is likely to fall short of its goals on poverty alleviation and sustainable development. Although sustainability criteria may be an opportunity to absorb some of the environmental and social problems in feedstock-

producing countries in the 'Global South', the current sustainability criteria within the EU directive are insufficient and cannot solve the pressing problems in Indonesia, especially those concerning land conflicts, human rights violations, deforestation, and land-use change. Likewise, the RSPO as a multi-stakeholder organisation, initiated mainly by European NGOs and companies, has lost legitimacy, giving rise to other transnational campaigns against monoculture palm oil production and agrofuel expansion in Indonesia.

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